



**THE 2010/2013 MULTI-YEAR APPROVED OPERATIONAL
AND CAPITAL BUDGET**

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1. Executive summary

Background

This is the last budget for the Council that was elected on 1 March 2006. It is continuation of the process of continuous improvement in budgeting and moves toward a longer- term financial planning outlook and Medium Term Income and expenditure framework through the consideration of a 3 year budget.

The municipality's projected 2010/2011 MTREF budget amounts to R 1,065 billion. An amount of R929,6 million will be spent on the operating budget and 136 million will be invested in the capital expenditure. The overall budget has increased by 12% compared to 2009/2010.

The municipality's 2010/ 2011 MTREF was guided by the following elements:

- Producing a balanced and credible budget
- The management of costs
- Creating cash backed surplus to support own funded capital investment
- Delivering quality services on the ground
- Increase allocation on repairs and maintenance to maintain all assets at a level adequate to protect the capital investment
- Further manage down general expenditure and contracted services
- Acquisition of new plant and equipment
- Ensuring improved financial system

For the municipality to able to deliver on the programmes, tough decisions will have to be taken on the following areas:

- Management of revenue streams
- Limit the conferences and seminars that are attended
- Reducing costs on the noncore departmental activities
- Increase spending on the repairs and maintenance
- Qualitative management especially on the transport costs
- Expediting spending on the capital projects that are funded by the conditional grants
- Strict budgetary controls.

The municipality will continue to support those who cannot afford to pay, by affording them a chance to register as indigent customers. The indigent campaign is still ongoing . The indigent will receive 10kl of water for free.

The social package, of 6 kilolitres of water and 50 kw/h of electricity is provided to all the citizens of Govan Mbeki municipality.

The financial position of the municipality will strengthen through aggressive application of credit control policy. This will enable the municipality to build on the cash backed reserves and also improve the current ratio to the acceptable norm of 1:1.

The municipality achieved an unqualified audit outcome for 2008/2009 financial year, reflecting a drive towards financial management excellence. The municipality can do well if it can focus on three issues and that is leadership, Governance and financial stability.

The cash flow position of the municipality is expected to improve, looking at the medium term a lot has been done on the revenue enhancement and debt collection.

The current ratio for the municipalities must 1:1, which as acceptable norm, however, the municipality current ratio is sitting below one, and is expected to improve.

Consultative process

Following tabling of the 2010/ 2011 Budget at the end of March, it will be advertised for public comments. A community consultation process will be undertaken primarily through the public meetings in the municipal area. The proposed schedule and venues is attached as **annexure F**.

Alignment with government priorities

In order to ensure an integrated and focused service delivery between all spheres of government it is important for the municipality to align its budget priorities with that of National and Provincial government

Both National and Provincial place a high priority on education, health, rural development, land reform, creating decent work and fighting crime.

2009/2010 achievements, major policy initiatives and challenges

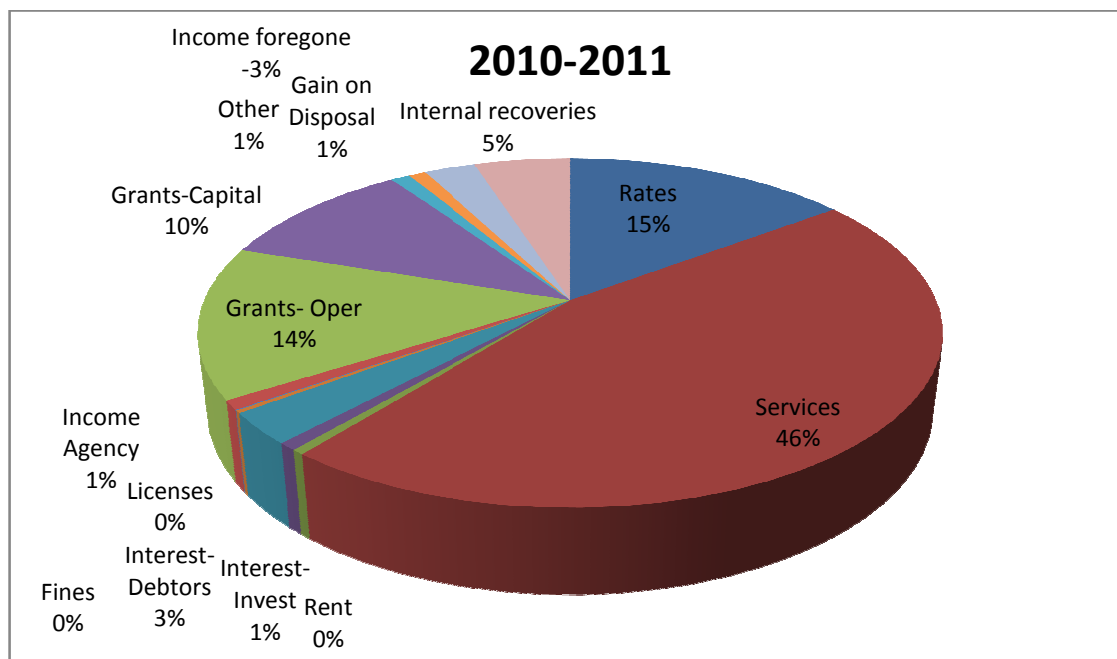
One of the key challenges for the future that the municipality is facing, is converting the long outstanding debts into cash. The non-payment of services threatens the municipality's ability to deliver on services to its residents and the cash flow position. However positive progress has been made since the adoption of the debt collection strategy in February 2010, the payment rate has improved significantly.

Another critical challenge is providing adequate infrastructure and assets. As a municipality, we are dependent on grants to deliver on roads, street lights, halls and other facilities. The grants are provided to build or acquire assets, but there is no maintenance plan that is approved in ensuring the ongoing maintenance. Where assets are not properly maintained they quickly deteriorate and either become irreparable or very expensive to repair. Regular maintenance is the cheapest option and provision must be made for the maintenance of assets.

2. Annual Budget Schedules (Operating and Capital)

2.1 Operating revenue by source

Budget 2009-2010	Adjusted	Actual	Projections	OPERATING INCOME	Indicative 2010-2011	Indicative 2011-2012	Indicative 2012-2013
-154,550,000	154,550,000	-103,707,000	-155,560,500	Property Rates - Monthly	-166,312,445	-177,954,316	-190,411,118
-446,816,000	446,816,000	-312,238,000	-468,357,000	Service Charges	-517,603,372	-595,571,535	-638,303,803
-3,568,000	3,568,000	-3,008,000	-4,512,000	Rent of Facilities & Equipment	-5,267,500	-5,636,225	-6,030,761
-6,905,000	6,905,000	-1,018,000	-1,527,000	Interest Earned – Ext Invest	-7,848,956	-7,344,000	-7,858,080
-42,729,000	42,729,000	-20,904,000	-31,356,000	Interest Earned – Outs. Debtors	-33,000,000	-35,640,000	-38,134,800
0	0	0	0	Dividends Received	0	0	0
-4,332,000	4,332,000	-1,574,000	-2,361,000	Fines	-2,760,000	-2,980,800	-3,189,456
-631,000	631,000	-119,000	-178,500	Licenses & Permits	-687,500	-742,500	-794,475
-10,455,000	10,455,000	-3,948,000	-7,896,000	Income from Agency Services	-9,645,400	-12,577,032	-13,457,424
-124,445,000	127,012,000	-93,794,000	-140,691,000	Grants & Subs. Rec. – Operate.	-158,482,000	-179,823,000	-260,059,000
-93,272,000	-122,142,000	-38,149,000	-57,223,500	Grants & Subs. Rec. – Capital	-116,861,885	-93,389,000	-113,052,520
-1,001,000	1,001,000	1	2	Public Contr. & Donations	0	0	0
-12,369,000	12,369,000	-6,478,000	-9,717,000	Other Revenue	-11,064,230	-11,948,968	-12,785,434
-3,000,000	3,000,000	-2,595,000	-3,892,500	Gain on Disposal of PPE	-10,000,000	-3,780,000	-4,082,400
-904,073,000	935,510,000	-587,531,999	-883,271,999	Total Direct Revenue	-1,039,533,287	-1,127,387,376	-1,288,159,271
29,972,000	-29,972,000	19,319,000	28,978,500	Less Income foregone	30,000,000	32,400,000	34,992,000
-45,911,000	45,911,000	-28,044,000	-42,066,000	Internal Recoveries	-56,150,000	-60,204,600	-65,020,968
-920,012,000	951,449,000	-596,256,999	-896,359,499	Total Revenue	-1,065,683,287	-1,155,191,976	-1,318,188,239
94,022,000	-122,892,000	38,149,000	57,223,500	Total Excluding Grant Funding Capital	116,861,885	93,389,000	113,052,520
14,648,000	-14,648,000	0	0	Transfer CRR	19,218,000	18,624,150	17,736,559
-811,342,000	813,909,000	-558,107,999	-839,135,999	Total Revenue	-929,603,402	-1,043,178,826	-1,187,399,161



Comments on Operating Revenue

The property rates

The property rates show estimated revenue of R 166 million. This revenue stream has been increased by 7%. The estimated actual by June 2009 is R 155 million. An amount of R 30 million is budgeted for the income forgone in terms of rebates and discounts that are offered by the municipality for the indigents, pensioners and the areas where the municipality is not providing services. This revenue stream contributes 15.61% of the total revenue and 18% of the total operating revenue.

Service charges

Service charges include electricity, refuse, sewer and water. These sources of revenue have been increased as follows, electricity's at 16.79% on average using the inclining block, also the charges incorporated to recover peak rates. The refuse has been increased by 9%, water by 16% and sewer at 9%. The 517.6 million is made up of the following , water 152 million, Refuse R47 million, Sewerage R47,5 million and electricity R269 million. The service charges contribute 56% of the operating revenue and 48% of the total revenue.

Interest on debtors

Interest on debtors has been decreased from 42 million to 33 million guided by the expected figures by year end. The purpose of decreasing this revenue stream is to ensure that the anticipated revenue is realistic.

Rent of facilities

The rent of facilities increased by 48% from R 3,5 million to R 5,2 million due to under budgeting last year, this projection plus increment is based on the actual and the estimated performance by year end .

Interest on investments

The investments for the municipality are done in accordance with and adherence to the investment policy. The municipality generates interest on the short term investments. The cash flow forecasts and liquidity needs provide guidance for the type of investments to be employed and the tenor thereof.

Fines

The revenue estimates for the fines have been reduced as the department is not currently performing to produce realist anticipated revenue. To ensure that the revenue stream is budgeted for realistically an amount of R 2,7 million is budgeted or 2010/2011 compared to R 4,2 million for 2009/2010. This revenue stream is expected to have a shortfall of R 2 million by year end.

The agency fees

The income from the agency needs to be monitored, this revenue is capable of achieving the R 9,6 million budgeted for. Public safety and finance need to work together to ensure that this revenue stream performs and monthly reports should indicate the challenges that are experienced to ensure that remedial action plan is initiated and implemented timeously. The budget for 2009/2010 was R10,4 million and has been reduced by R0,800 million.

Grants and Subsidies

The equitable share allocation for 2001/2011 increased from R121 million to R156 million, which is an increase of 28% from the current financial year.

Sale of assets

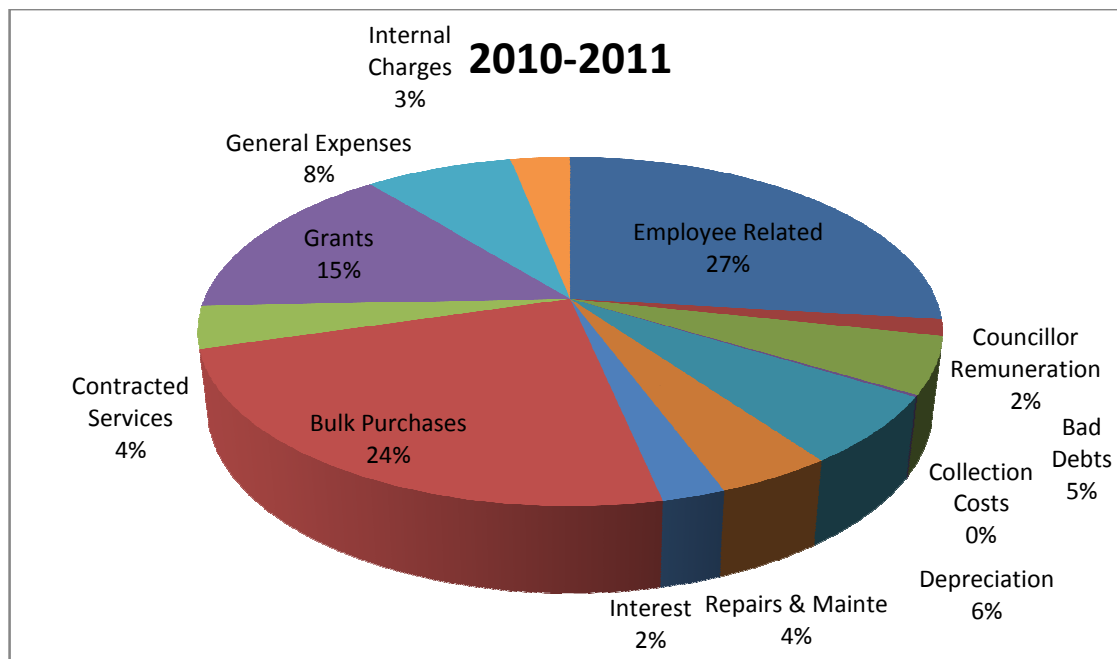
An amount of R 10 million in revenue has been provided primarily to fund the valuation roll expenditure in preparation for the next fours

Other Revenue

An amount of 12 million was budgeted for the current year and the expected performance by year end is expected to be R 9 million hence there will be a shortfall of R 3 million. The indicative figure for the 2010/ 2011 is R 11 million however monitoring and control should be exercised to achieve the results. Departments should report monthly on their revenue streams.

2.2 Operating Expenditure

Budget 2009-2010	Adjusted	Actuals	Projections	OPERATING EXPENDITURE	Indicative 2010-2011	Indicative 2011-2012	Indicative 2012-2013
262,223,000	266,755,000	178,813,000	268,219,500	Employee Related Costs	300,147,898	327,161,209	356,605,718
13,219,000	11,689,000	7,892,000	11,838,000	Remuneration of Councilors	16,930,174	17,776,683	19,554,351
55,258,000	55,258,000	35,712,000	53,568,000	Bad Debts	58,500,000	63,655,206	70,020,727
10,100,000	10,100,000	1,885,000	2,827,500	Collection Cost	2,000,000	2,140,000	2,354,000
67,818,000	67,818,000	33,909,000	50,863,500	Depreciation	70,530,408	73,962,367	81,358,604
45,094,000	34,559,000	21,386,000	32,079,000	Repairs and Maintenance	47,385,122	52,437,318	57,681,050
24,244,000	24,244,000	7,548,000	11,322,000	Interest Expenses	25,941,294	27,757,185	30,532,903
210,832,000	218,832,000	188,680,000	283,020,000	Bulk Purchases	265,391,432	291,968,832	369,749,152
70,281,000	70,281,000	52,504,000	78,756,000	Water Purchases	84,452,682	90,364,370	117,473,681
140,551,000	140,551,000	136,176,000	204,264,000	Electricity Purchases	180,938,750	201,604,463	252,275,471
33,938,000	42,460,000	22,315,000	33,472,500	Contracted Services	43,592,200	69,842,362	68,247,927
141,462,000	163,807,000	37,004,000	55,506,000	Grants and Subsidies Paid	166,108,105	151,833,912	175,420,136
76,003,000	70,703,000	45,945,000	68,917,500	General Expenses – Other	85,908,470	98,521,808	105,035,305
940,191,000	958,225,000	581,089,000	871,633,500	Direct Operating Expenses	1,082,435,103	1,172,056,883	1,336,559,873
32,991,000	32,991,000	26,618,000	39,927,000	Internal Charges	34,474,992	37,770,975	40,414,200
973,182,000	991,216,000	607,707,000	911,560,500	Total Operating Expenditure	1,116,910,095	1,209,827,858	1,376,974,073
-	-	-	-	<i>Other Adjustment Transfers</i>	-	-	-
14,648,000	14,648,000	1,020,000	1,530,000	Asset Financing Reserve	19,218,000	18,624,150	17,736,559
-67,818,000	-67,818,000	-33,909,000	-50,863,500	Depreciation Reserve	-70,444,808	-73,260,032	-76,522,392
920,012,000	938,046,000	574,818,000	862,227,000	Total Expenditure	1,065,683,287	1,115,191,976	1,318,188,240
-108,670,000	-137,540,000	-974,000	-1,461,000	Less Capital Grant Funding & CRR	-136,079,885	-112,013,150	-130,789,079
-	5,403,000	-	-	Surplus/deficit	-	-	-
811,342,000	813,909,000	573,844,000	860,766,000	Total Expenditure	929,603,402	1,043,178,826	1,187,399,161



Comments on Operating Expenditure

Employee related costs

The employee related costs and remuneration of councillors indicate a percentage of 34.1% of the operating budget. The average salary increase is 8.6% across the board and 11% for the councillors. The salaries budget has also been increased by the fact that the 2.5% non pensionable allowance has been added to the basic salary, which has then led to the escalation of bonuses and company contributions like pension. The salaries budget increased from R 266 million to R 300 million.

Staff shortages can affect the ability of the municipality to deliver on the basic services. To alleviate some these problems, Learnerships should be encouraged.

The overtime will have to be controlled and filling of vacant positions will have to be fast tracked.

General expenditure and contracted services

All the other expenses were increased across the board by 7% except for transport costs which have been increased by 25% to accommodate higher fuel prices. The non-core departmental activities need to be controlled like entertainment and travelling and subsistence to ensure that departments do not overspend. The controls around fuel need should to be introduced as the council is losing a lot of money on the fuel and diesel.

The transport costs amount to R 14 million, rental of machinery and other rentals amounts to R 7.5 million, telephone with R 3,6 million.

The general expenditure and contracted services will have to be managed down. The contracts on the contracted services where possible will have to be re-negotiated. Those that have expired will have to be advertised to ensure that a better value for money is realized by the municipality for example vending of prepaid, the council pays 3% of

the collected revenue from the third party vending points, which is a lot. The budget has been increased from R 7,5 million to R 9 million for the new year.

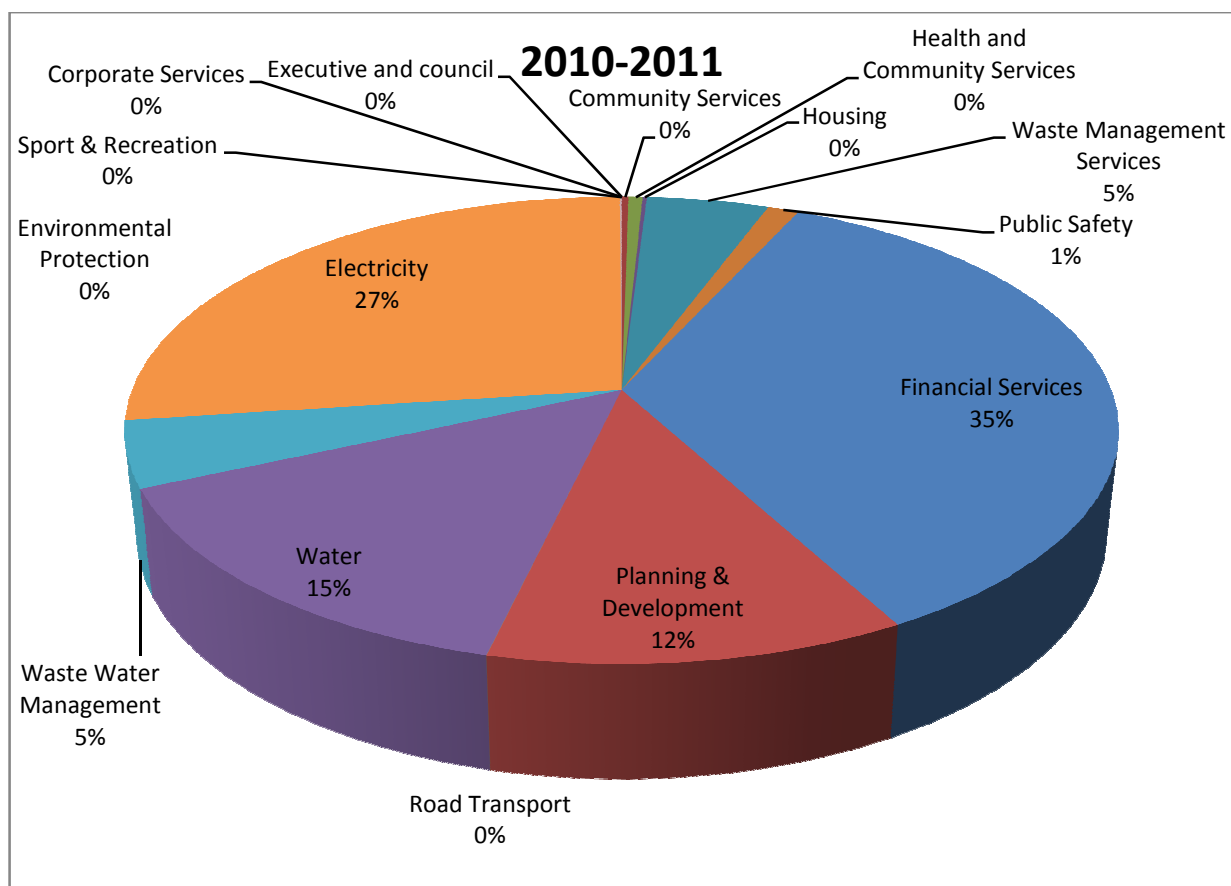
The contracted services increased from R 33 million to R 43,5 million and the general expenses have increased from R 76 million to R 85 million. These expenditure items contribute 14% of the operating budget.

Repairs and maintenance

The repairs and maintenance plan for the departments must be aligned with their budget and monthly reports should indicate how the departments are progressing. The fact is there are breakdowns on the vehicles which often affect the service delivery especially waste collection. The 47.3 million should strictly be utilized for maintenance of the assets to encourage the citizen to pay for services consumed. An amount of 9 million has been budgeted for the resealing of roads and maintenance of gravel roads.

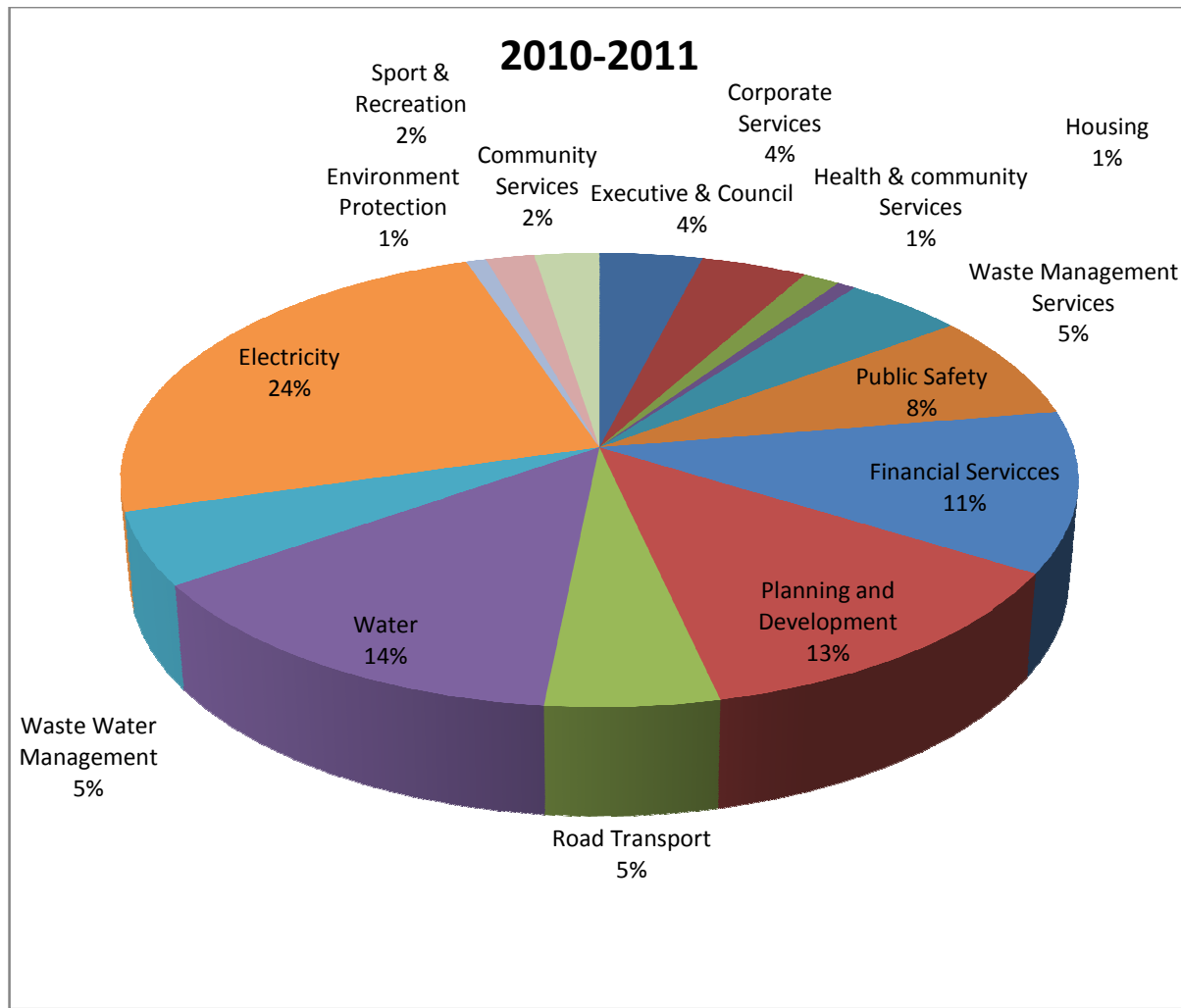
2.3 Revenue Performance per Vote:

DESCRIPTION	ANNUAL BUDGET	ADJUSTED	TOTAL ADJUSTED	ACTUALS	PROJECTIONS	INDICATIVE 2010/2011	INDICATIVE 2011/2012	INDICATIVE 2012/2013
Executive and Council	57,200		57,200	19,705	29,558	51,200	55,296	59,168
Corporate Services	3,042,000		3,042,000	2,175,854	3,263,781	10,036,000	3,818,880	4,124,001
Health & Community Services	7,727,600		7,727,600	2,867,000	4,300,500	5,705,600	5,724,648	6,182,344
Housing	1,607,900		1,607,900	870,481	1,305,722	1,669,200	1,802,736	1,928,928
Waste Management Services	44,253,500		44,253,500	26,366,603	39,549,905	49,525,317	119,514,807	127,883,543
Public Safety	15,180,000		15,180,000	3,413,071	5,119,607	12,711,100	15,887,988	17,000,148
Financial Services	323,855,800	2,617,000	326,472,800	202,768,722	304,153,083	371,694,900	408,316,536	503,586,421
Planning and Development	97,912,785	29,490,000	127,402,785	41,349,715	62,024,572	122,619,985	99,412,618	119,356,611
Road Transport	28,200		28,200	42,329	63,494	47,000	50,740	54,292
Water	127,448,900		127,448,900	79,901,035	119,851,553	154,697,691	180,721,721	193,511,593
Waste Water Management	44,254,700		44,254,700	25,672,756	38,509,134	48,272,275	52,609,924	57,335,084
Electricity	249,239,500		249,239,500	148,097,613	222,146,419	285,270,189	331,494,437	354,803,808
Environmental Protection	243,000		243,000	45,166	67,749	147,800	161,554	172,863
Sport & Recreation	337,800		337,800	246,013	369,020	522,900	559,703	598,882
Community Services	4,823,700	-220,000	4,603,700	62,523,227	93,784,841	2,712,130	2,919,905	3,130,238
Total Revenue	920,012,585	31,887,000	951,899,585	596,359,290	894,538,936	1,065,683,287	1,155,191,975	1,318,188,240



2.4 Expenditure Performance per Vote:

DESCRIPTION	ANNUAL BUDGET	ADJUSTED	TOTAL ADJUSTED	ACTUALS	PROJECTIONS	INDICATIVE 2010/2011	INDICATIVE 2011/2012	INDICATIVE 2012/2013
Executive and Council	37,006,900	-1,779,600	35,227,300	23,837,433	35,756,150	42,452,822	45,489,715	49,123,620
Corporate Services	31,650,800	1,114,203	32,765,003	24,617,788	36,926,682	43,717,991	48,163,089	53,425,567
Health & Community Services	14,944,600	-1,953,150	12,991,450	8,060,361	12,090,542	15,307,700	16,703,392	18,184,695
Housing	6,006,000	526,250	6,532,250	4,162,943	6,244,415	7,641,088	8,413,419	9,347,710
Waste Management Services	44,220,200	1,410,466	45,630,666	32,674,555	49,011,833	49,462,583	53,661,420	59,654,035
Public Safety	61,149,800	-	61,149,800	40,325,869	60,488,804	80,104,289	90,439,709	97,427,266
Financial Services	114,365,256	-795,028	113,570,228	65,615,550	98,423,325	121,501,196	132,551,922	143,174,680
Planning and Development	123,530,585	32,040,464	155,571,049	22,561,344	33,842,017	135,116,966	136,801,845	160,206,335
Road Transport	28,116,100	-131,600	27,984,500	19,451,253	29,176,880	54,601,646	33,241,684	37,649,354
Water	127,383,900	5,012,702	132,396,602	87,563,388	131,345,082	146,402,562	164,117,520	190,683,945
Waste Water Management	44,251,700	8,934,500	53,186,200	34,225,853	51,338,780	55,167,976	64,674,485	72,424,001
Electricity	237,432,444	-16,548,798	220,883,646	193,753,214	290,629,821	259,073,083	297,277,393	356,913,536
Environmental Protection	6,898,700	2,826,080	9,724,780	-5,628,782	-8,443,174	8,395,931	8,707,054	9,537,075
Sport & Recreation	16,959,000	1,361,744	18,320,744	11,610,744	17,416,116	20,004,379	21,965,766	23,912,207
Community Services	26,096,600	-131,383	25,965,217	15,206,767	22,810,151	26,733,075	32,983,562	36,524,206
Total Revenue	920,012,585	31,886,850	951,899,435	578,038,281	867,057,421	1,065,683,287	1,155,191,975	1,318,188,240

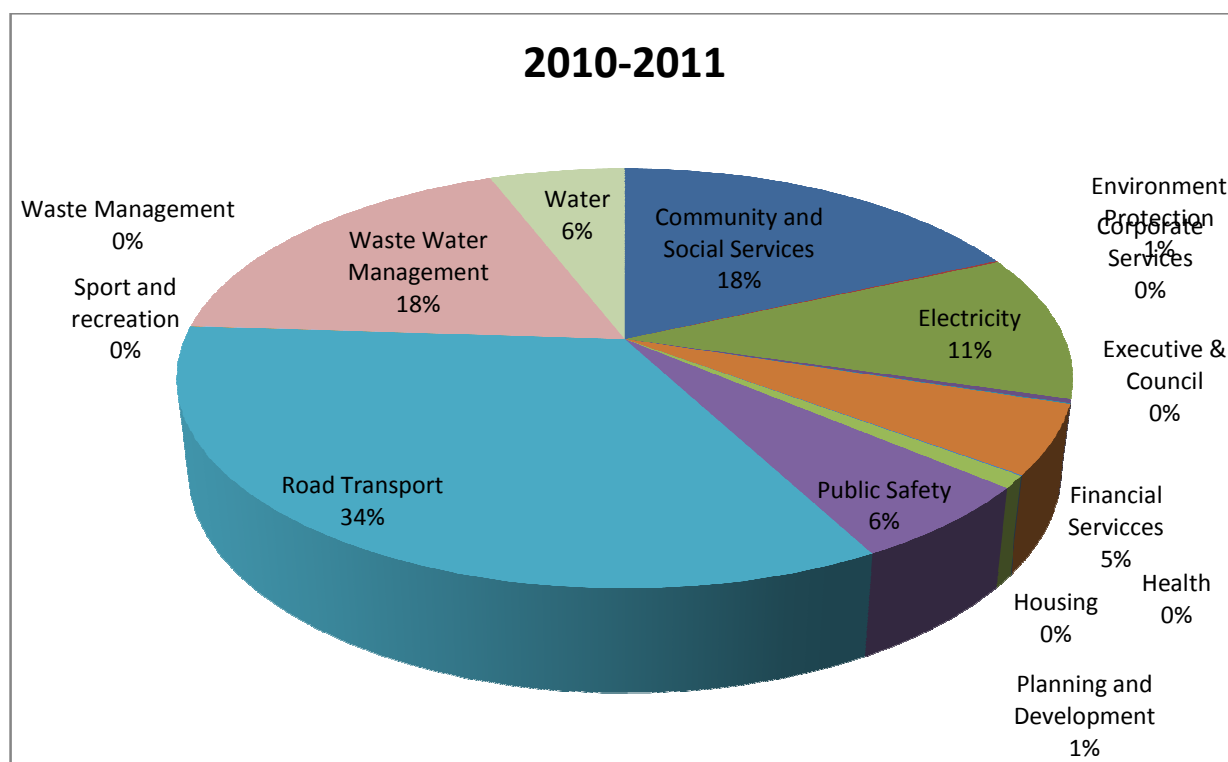


2.5 Capital Budget

The total capital budget for 2010/ 2011 is R 136 million which includes:

- Municipal Infrastructure Grant of R 62,9 million.
- Gert Sibande allocation of R 19 million.
- Sasol Anglo projects as part social responsibility an allocation of R 20 million.
- Expanded public works programme for R2 million.
- Department of Mineral and energy is R 10 million.
- Library grant is R 0.550 million.
- The internal revenue is 19,2 million.

Description	Budget	Indicative 2010-2011	Indicative 2011-2012	Indicative 2012-2013
Community and Social Services	7,083,100	24,757,882	9,250,710	702,200
Corporate Services	780,000	153,000	179,180	184,723
Electricity	8,774,362	15,250,000	15,160,500	110,282,735
Environmental Protection	40,000	420,000	52,800	45,796
Executive and Council	715,000	94,000	99,040	104,391
Financial Services	4,970,000	7,200,000	2,214,000	2,368,980
Health	265,000	80,000	72,760	77,854
Housing	413,100	-	-	-
Planning and Development	21,190,600	1,285,000	4,646,700	957,369
Public Safety	7,790,900	8,230,000	6,521,650	6,978,166
Road Transport	12,694,000	45,957,000	36,535,000	572,450
Sport and Recreation	630,000	20,000	214,000	228,980
Waste Management	1,291,500	33,000	35,310	37,782
Waste Water Management	27,819,673	24,650,000	17,802,500	858,675
Water	14,213,100	7,950,000	12,659,000	2,528,980
Total	108,670,335	136,079,882	105,443,150	125,929,080



Comments on the Capital Budget

The total capital budget for the 2010/2011 year is R 136 million. This amount excludes the projected carryover of R 35 million. A special effort was taken to improve the credibility of the budget.

Council own fund, cater for the equipment and plant. The own fund provides for 19 million of the year's budget. The 8 million has been set aside for the purchasing of new fleet, to reduce the over expenditure on rental and recurring maintenance on the old fleet. Furthermore an amount of R 7 million has been provided for acquiring a new Financial Management System.

In addition R 62 million has been budgeted for MIG funds, R 19 million from Gert Sibande, R 20 million from Anglo, R 2 million from expanded programme from public works

Provision for capital in the outer years 2 and 3, is however dependent on funding in each year from loans, grants and reserves. The capital program for 2010/2011 is attached with budget tables

4. Overview of the annual budget process

The MFMA clearly defines the responsibility if the Mayor in ensuring that the budget complies with applicable legislation and consider the needs of the community including the:

- Providing political guidance over the budget process and the priorities that guide its preparation
- Ensuring the budget is tabled and approved on time
- Ensuring that the Service Delivery and Budget Implementation Plan and annual performance agreements are developed and approved
- Ensuring publicity and consultation on the budget is undertaken

Schedule of Key deadlines relating to the budget process (MFMA s 21 (1) (b)) were adopted by council and the schedule for the public participation is attached.

3. Alignment of Budget with the Integrated Development Plan

The IDP has been prepared for the medium term to 2011/2012. In the current financial year the IDP has undergone the review as required by the Municipal Systems Act and MFMA. All the wards were visited and community needs and inputs were sought and all the stake holders were consulted.

The IDP takes cognizance of the National, provincial and district priorities. The key focus and IDP priorities are:

- To provide , improve and sustain infrastructure
- To promote socio economic development in rural and urban areas
- To enable and speed up institutional transformation
- To strengthen democracy and good governance
- To improve and sustain financial management.

4. Overview of budget related policies and Amendments

Listed below with a brief description are the municipalities budget related policies. These policies are available from the municipality on request. The budget and accounting policies were reviewed during the year.

The accounting policy is reviewed on an ongoing basis to incorporate changes required by the relevant Accounting Standards, apart from the changes to these policies as part of the budget process.

Budget related policies are attached

1. Virement policy

The Virement policy establishes the framework for managers to manage their respective budgets within limitations, and also to ensure good budgeting practice and effective financial management. The virement policy has been amended to improve budgetary controls

2. Accounting policy

The accounting policy guides the preparation of the Annual Financial Statements and is reviewed each year during the preparation to ensure compliance with Generally Recognised Accounting standards and other guiding principles such as International Financial Reporting.

3. Supply Chain Management Policy

The supply chain management policy was adopted and amendments are as result of council resolution.

4. Credit control and Debt collection policy

The council adopted a policy, a few amendments have been made to give clear indication in terms indigents, s 118 on the issuing of rates clearance and the outstanding debt.

5. Investment policy

The intention of the investment policy is to ensure investments are made in an efficient and effective manner which generates the best returns for the municipality while considering preservation and safety of the principal and appropriate liquidity.

6. Property Rates policy

Council has approved a Property Rates Policy which applies to currently rates properties. The amendment talks to the rebates on the privately owned townships.

7. Tariff policy

The tariff policy covers levying of tariffs, fees and charges for municipal services. The tariff policy details electricity, water, sewer, refuse removal and miscellaneous tariffs.

8. Fixed Asset Management Policy

The asset policy is designed to ensure management of Municipal assets in efficient and effective manner with regard to acquisition, utilization, control maintenance and disposal of assets. The policy guides Directorates in their responsibility and duties for control of their assets.

Overview of the budget assumptions

This section provides information on the assumptions used in preparing the budget. In most cases the information provided for the 2010/2011 budget year, and generally the same assumptions are applied to the two outer years.

General inflation outlook and its impact on the municipal activities

The growth parameters set by National treasury are set between 3 and 6 percent which are also target range for the inflation rate. However the inflation rate for January is 6,1 % and this figure is expected to increase.

All steps have been taken to be in line with these National Treasury guidelines however the following factors affect the municipal operations and the budget accordingly:

- Higher fuel prices
- Higher salaries
- Increase by Eskom
- High unemployment rate

The proposed municipal tariffs for 2010/2011 are 9% for refuse, 15.5% for water, 9% for sanitation and 15.33% for electricity. The proposed water increase is based on 14.1% increase that will be effected by Rand Water on water bulk purchases. The electricity bulk purchases have been increased by 24,8%, however the sales on electricity increment will be limited to 15,33% for the municipalities that effected 34% in the current year.

The assessment rates have been increased by only 7 %. Provision has been made for the privately owned townships, where the municipality is not rendering services for the municipality to offer a 10% rebate.

The announcement by Sasol that there will be a possibility of retrenchment will affect our revenue collection performance as this will increase the unemployment rate within the municipality

Credit rating outlook

The municipality has not had a credit rating and with National Treasury support, the municipality will have to undertake it.

Interest rates for borrowing and investment of funds

The municipality should strive to borrow less and build more reserves to ensure that reserves are cash backed. The Inca loans are maturing in 2011, hence the municipality will be left with no investments.

Rates, tariffs, charges and timing of revenue collection

Accounts for rates, refuse, electricity, water and sanitation are issued on a monthly basis and are due and payable before the 7th of the month. Recovery procedures for non-payment may be commenced within 7 days of payment default. The electricity supply is cut and water supply is restricted when a client defaults. The municipality is committed in ensuring that collection levels are improved and that credit control will be enforced those who can afford and no honouring their municipal accounts.

Collection rates for each revenue source

The collection rate for all the services is expected to on the 90% average throughout, this is due to credit control actions that are taken against the defaulters. Where ESKOM is a service delivery agent, consumers who are not paying will be restricted water.

Price movements on specifics

Eskom has advised there will be an increase across the board of 25% on the bulk purchases of electricity. The NERSA has also indicated that the municipalities that effected 34% last financial year, will only be allowed a maximum of 15.33% and that will be effected in an inclining format. This will help the municipalities with demand management, as it means the more you use electricity the more you pay as a consumer.

The rand water has informed the municipality of an increase of 14.1% on the bulk purchase of water from 1 July 2010. An estimated increase of 16% on average has generally been applied on the water tariffs.

The other expenses have generally been increased by 7% and the fuel has been increased by 25%.

Average salary increases

An estimated 9% has been applied across the board and 11% for the councilors. The 2,5 non pensionable allowance has been added to the basic salary which has increased other benefits like bonuses and pension. The vacant positions have been prioritized according to the departmental needs.

Indigent and free basic services

The basic social package is an affirmation of the municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay for services due to adverse social and economic realities. The indigent register is expected to grow from the 19 500 as result of the indigent campaign.

The social package assists the municipality to meet its constitutional obligation and to progressively realize the social and economic rights of its residents. To continue to provide these services in a financially sustainable manner requires all the residents to pay for the services they consume above the free basic level.

As an amendment to the policy, the indigents will be subsidized 100%. Meaning the rates accounts will be given a full rebate, water will be given for free at 10 kl, refuse and sewer will be fully discounted.

Through the indigent campaign the municipality is striving to ensure that those who cannot afford are not burdened by the municipal accounts.

Funding of the budget

The municipality overall expenditure is estimated at 1.1 billion which reflects an average growth of 20%. The funding model of the budget is dependent on the following:

- The property rates are one of the revenue streams with a budget of 167 million budgeted for 2010/ 2011 and contributes 17.43% of the total budgeted operating revenue.
- The 56.87% reflects the revenue streams of electricity, refuse, sewer and water. The breakdown is as follows:
- A total amount of R 160 million is expected from water sales. The bulk purchases is expected to increase by 15%

a total amount of R 280 million is expected from the electricity sales. The inclining block as proposed by ESKOM will assist the municipality to recoup the peak rates. The municipalities who effected 34% will be limited to 15.33 %, however the principle was presented at NERSA offices the 19% was recommended when applying the step tariffs.

- A total amount of R56 million is budgeted for refuse
- An amount of R 47 million has been budgeted for the sewage and sanitation fees

The municipality has adopted a Tariff policy which provides for major services and lists minor or miscellaneous tariffs. The proposed tariffs are attached as **Annexure G**.

Investments – cash backed accumulated surplus

The investments of the municipality amount to R 90 million at the end of February. It should be noted that most of these funds are committed as they have received as conditional grants, operating funds and also comprise of funds put aside to repay the loans.

5. Grants and allocations

The table below indicates the total grants as gazetted on the Division of Revenue Bill.

DETAILS	APPROVED BUDGET 2009/2010	ADJUSTED BUDGET 2009/2010	INDICTIVE 2010/2011	INDICTIVE 2011/2012	INDICTIVE 2012/2013
CAPITAL GRANTS					
Water Service Operating Subsidies	-	-	-1,750,000	-2,040,000	-2,300,000
DPLG Grant	(14,500,000)	(14,500,000)	-	-	-
Department of Sport, Art & Culture	(550,000)	(550,000)	-550,000	-550,000	-550,000
Mineral & Energy Grant	(2,492,000)	(2,492,000)	-10,000,000	-15,000,000	-18,000,000
Expanded Public Works Program	(994,000)	(994,000)	-2,070,000	-	-
Gert Sibande District Municipality Grant	(16,214,285)	(16,214,285)	-19,000,000	-	-
Municipal Infrastructure Grant	(85,701,000)	(85,701,000)	-62,987,000	-75,755,000	-92,111,000
Revenue			-19,218,000	-12,044,150	-12,876,559
Anglo	-	-	-20,504,882	-	-

Total Capital Grants			-136,079,885	-105,443,150	-129,929,079
OPERATIONAL GRANTS					
Equitable Share	(121,570,000)	(121,570,000)	-156,732,000	-177,783,000	-258,009,000
MSIG	(735,000)	(735,000)	-750,000	-790,000	-800,000
Financial Management Grant	(750,000)	(750,000)	-1,000,000	-1,250,000	-1,250,000
Total Operational Grants			-158,482,000	-179,823,000	-260,059,000

7.3 Borrowing

The municipality has a total amount of R 102 million external loans. The loans include INCA loans that are maturing in 2011. No short term borrowing is needed by the municipality for 2010/ 2011. The borrowing will be looked at as a medium term plan for the funding of capital programs.

7.4 Monthly cash flow

Monthly cash flow projections must be submitted by the respective directorates and will be captured on the system, the monthly reports would be compiled thereafter.

6. Conclusion

The aim of the MTREF for 2010/2011 is to ensure that financial resources are aligned to the Municipality's strategy and priorities, as well as continuously look for the efficiencies in all activities and programmes. As municipality we should strive to do more with the little that we have, as a collective we can.

2. Budget related Recommendations

1. That the report on the medium term revenue and expenditure framework for 2010/2011 and two outer years **BE NOTED**
2. That the draft operational budget to the amount of R 929,603,402 and the draft capital budget of R 136,079,885 **BE ADOPTED** to ensure compliance with section 16 (2) of the Municipal Finance Management Act (No 56 of 2003)
3. That proposed schedule on the consultation of the budget **BE CONSIDERED**
4. That a budget workshop **BE ARRANGED** for councilors at which the various departmental budgets and budget related policies will be presented
5. That the budget related policies of Council and amendments as mentioned in the report **BE CONSIDERED.**
6. That the project for new valuation roll **BE FUNDED** through the land sales.
7. That the free basic electricity **BE MADE** available to the indigent consumers.
8. That the proposed tariffs **BE CONSIDERED** as mentioned in the report as follows:

ASSESSMENT RATES

All property taxes as per the 2009/2010 tariff, plus 7%

SEWERAGE

All sewerage charges as per the 2009/2010 tariff, plus 9%

REFUSE

All refuse charges as per the 2009/2010 tariff, plus 9%

WATER

All basic water charges as per the 2009/2010 tariff, plus 16%

All consumption charges as per the 2009/2010 tariff, plus 16%

ELECTRICITY

Residential conventional and prepaid an average increase of 19,27% using the inclining block

Residential indigent an average increase of 0.92% using the inclining block

Commercial prepaid an average increase of 15,69% using the inclining block

Commercial Industrial 1 Phase an average increase of 15,69% using the inclining block

Commercial Industrial 3Phase an average increase of 15.74% using the inclining block

Commercial Industrial low voltage an average of 23,88% using the inclining block

Commercial industrial High Voltage an average increase of 26,375% using the inclining block

DEPOSIT

Water and electricity charges user: R 2,268.00, no VAT is applicable.

Only water or electricity user: R 1.134.00, no VAT is applicable.

Based on three months average consumption and size of connection.

RECONNECTION FEES

Reconnection fees (non-payment) R 184.00 to R 212.00 (VAT inclusive)

MISCELLANEOUS TARIFFS

- As per the 2010/2011 tariff plus 9% unless stated otherwise.
- These include all tariffs that are not included in the tariffs as defined above and not used by all consumers.
- These are tariffs that are used on a needs basis
- All tariffs excluded VAT except in the case of assessment rates that are zero-rate.

INTEREST / CAPITALIZED ARREARS

- No interest will be levied on those arrears for which the consumer made formal arrangements.
- Interest will only be levied on those arrears for which no formal arrangement exist and/or arrear as a result of not complying with the said arrangements.
- Interest rates will be levied at market related rates.